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No. 07-202

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# In the Supreme Court of the United States

M2 SOFTWARE, INC.,
*Petitioner,*

v.

VIACOM, INC., VIACOM INTERNATIONAL, INC.,
MTV NETWORKS COMPANY,
*Respondents*

**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit**

## PETITION FOR REHEARING OF A DENIAL OF CERTIORARI

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## QUESTION PRESENTED

The Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, provides a variety of remedies for infringement, including injunctive relief, damages and lost profits. It also authorizes courts to award the plaintiff some portion of the infringer's profits attributable to the infringement. The question presented is:

Whether a trademark owner alleging infringement of a registered mark must show willfulness as a precondition to recovering a portion of the infringer's profits attributable to infringement.

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Pursuant to Rule 44, Petitioner M2 Software, Inc. respectfully submits a petition for rehearing of our Petition for Certiorari ("P-Cert.")[1] docketed August 14, 2007 and denied November 26, 2007.

**REASONS FOR GRANTING REHEARING**

A rehearing of an order denying certiorari is available where either: (i) there are "intervening circumstances of a substantial or controlling effect," or (ii) the petition raises "other substantial grounds not previously presented." R. 44.2. Both are presented here. Substantial grounds not previously presented demonstrate that a GVR procedure is proper to allow the Ninth Circuit to examine the current, clarified statute, 15 U.S.C. § 1117(a), with no retrospective concerns. Respondents have changed their position, and now acknowledge the clarification potential of the 1999 amendment:

> "Congress itself can eliminate a conflict concerning a statutory provision by making a *clarifying amendment* to the statute[.]"

Opp. 17, quoting *Braxton v. U.S.*, 500 U.S. 344, 347-49 (1991) (emphasis added). In addition, on December 18, 2007, the Ninth Circuit addressed the question presented in the trademark case of *K and N Engineering, Inc. v. Bulat*, 06-55115 (9th Cir., Dec. 18, 2007) (R-App. 1r-3r). The *Bulat* court determined it was proper to consider a variety of equitable factors other than a bright-

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[1] *See* P-Cert. ii (Rule 29.6 Corporate Disclosure Statement). Other abbreviations herein: Petition Appendix ("P-App."), Brief in Opposition ("Opp."), Reply of Petitioner ("P-Rep."); Rehearing Appendix (attached hereto) ("R-App.").

line willfulness rule – the sole grounds for dismissal of this case below. The Ninth Circuit affirmed consideration of:

> "* * *a wide range of [equitable] factors, including the defendants' financial situation, their naiveté, their failure to resolve the trademark violation through settlement, and the extent of the infringement."

R-App. 3r. As Petitioner had argued here, *see* P-Cert. 21, 22 n. 11, 23 n.13, the new Ninth Circuit decision does not treat willfulness as a bright-line requirement under § 1114(1)(*a*) and distinguishes the willfulness requirement under the "innocent printer" exceptions of § 1114(1)(*b*) and § 1114(2).[2] The Ninth Circuit's failure to make this distinction in prior precedent has been noted as a plain judicial error from which the Ninth Circuit's willfulness requirement originally evolved. *See* P-Cer. 23 n. 13.

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[2] The *Bulat* case corrects that error in distinguishing "use in commerce" [§ 1114(1)(a)] from mere printing (*see* P-Cert. 22 n.11): "Because [Defendants] sold decals with K&N marks * * * they were not engaged solely in the business of printing the mark or violating matter for others, and thus were neither innocent infringers nor innocent violators capable of raising the innocent printer defense under 15 U.S.C. § 1114(2)(A)." R-App. 3r. (emph. added). The Ninth Circuit decided this issue in a unpublished memorandum on the same date as it decided the remainder of the issues on appeal in a published opinion. *See K and N Engineering, Inc. v. Bulat*,--- F.3d ---, 2007 WL 4394416, *1 n.1 (9th Cir. Dec. 18, 2007). Nonetheless, the unpublished decision can be cited. FRAP Rule 32.1(a).

Finally, another intervening decision demonstrates the fatal flaw in the Ninth Circuit's decision to overlook the possibility that the current statute clarifies, rather than changes, pre-existing law. See *Cartier v. Aaron Faber, Inc.*, 512 F.Supp.2d 165 (S.D.N.Y. Sept. 27, 2007). Rehearing is appropriate to issue a GVR to permit the Ninth Circuit the opportunity to consider 15 U.S.C. § 1117(a), as amended.

## I. STATUTORY BACKGROUND

### A. The Issue Presented

Under the statute for trademark infringement (15 U.S.C. § 1114(1)(a)) and monetary recovery for trademark infringement (15 U.S.C. § 1117(a)), some Circuit Courts require "willfulness" as a requirement for monetary relief. Other Circuit Courts do not. P-Cert. 12-19.

The controlling case in the Ninth Circuit, *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir.), *cert. denied*, 510 U.S. 815 (1993), *see* P-App. 3a, defines willfulness as "willfully calculated to exploit the advantage of an established mark." *Id.*, quoting *Playboy Enterprises, Inc. v. Baccarat Clothing Co., Inc.*, 692 F2d 1272, 1274 (9th Cir. 1982) (emphasis added). That strict and contested requirement (akin to the original language of a different *dilution* section for *famous* marks)[3] creates a

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[3] *Cf.* 15 U.S.C. § 1125(c)(2) (prior to October 2006 amendment) ("willfully intended to trade on the owner's reputation").

paradox[4] that entirely forecloses relief for many small and growing companies. It ignores other deliberate or bad faith infringement of a registered trademark that, while not "willful" under this definition, is equally destructive of a company's identity. *Sands*, 978 F.2d at 961.

### B. The Current 15 U.S.C. § 1117(a), As Amended in 1999, May Clarify the Issue

The "dilution" cause of action under § 1125(c) was created by the Federal Trademark Dilution Act of 1995, amending the Lanham Act. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 420 (2003). "Dilution" arises when a junior user's similar mark dilutes the commercial effectiveness of a *famous* mark even if used in a completely different industry (like "Kodak hamburgers"). *Id.* This contrasts with trademark "infringement" (at issue here) applicable to even non-famous marks, arising when a junior user causes a likelihood of confusion by adopting a confusingly similar or identical mark in the same or related field. 15 U.S.C. § 1114(a).

Since its 1995 inception, the *dilution* subsection, § 1125(c), has always required willfulness for monetary relief. This contrasts with the *infringement* subsection, § 1114(1)(a), which does not specify a willfulness requirement. P-Cert. 5, 15. The damage provision of the Act,

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[4] "In a reverse confusion case, of course, the defendant by definition is *not* palming off or otherwise attempting to create confusion as to the source of his product. Thus, the 'intent' factor * * * is essentially irrelevant * * *." *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 961 (7th Cir. 1992), *cert denied* 113 S Ct 1879 (1993) (emphasis in original).

§ 1117(a), is qualified by the phrase "subject to the principles of equity." In 1995, when the "dilution" provision was added to the Lanham Act, Congress did not add reference to § 1125(c) within § 1117(a).

In 1999, Congress amended § 1117(a) to cross-reference the § 1125(c) dilution subsection added in 1995.[5] P-Cert. 24. In so doing, as a practical matter Congress ultimately juxtaposed – in the same single sentence for the first time – the § 1125(c) dilution requirement of "a willful violation" (a requirement *already* present in § 1125(c)) against the § 1114(a) requirement of "a violation." The text of § 1117(a) now reads:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office [e.g. § 1114(1)(a)] , a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (emphasis added). The intervening *Cartier* court determined that the Second Circuit's interpretation requiring

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[5] The 1999 amendment is the Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219.

willfulness to recover monetary relief is irreconcilable with the text of the statute. The district court in *Cartier* thus discarded the Second Circuit's "willfulness" precedent of *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir.1992) – the analog of the Ninth Circuit's *Lindy Pen* precedent at issue here, P-App. 3a.

Petitioner referenced the test microcosm of the conflict (within district courts in the Second Circuit) in both the petition and reply. P-Cert. 18; P-Rep. 6. The intervening decision demonstrates the clarifying effect of the current statute, not examined below. *Cartier* effectively overruled the *Malletier* decision of April 2007, cited in the reply. P-Rep. 6-7 (*Malletier v. Dooney & Bourke, Inc.*, 500 F.Supp.2d 276 (S.D.N.Y. Apr. 24, 2007)). *Malletier* had found that the Second Circuit's prior precedent remained good law. *Id.*, 500 F.Supp.2d at 280. There, as here (until Respondents changed their position in opposition to certiorari, Opp. 17-19), "the parties vigorously dispute[d] whether, in light of the amendment, *Blue Coral's* willfulness requirement remains good law." *Id.* at 279-80. *Malletier* found that the willfulness requirement was still good law because the 1999 amendment for dilution "did not alter or even address the relevant subsections of the federal trademark *infringement* statute." *Id*, at 280. (emph. added).

What *Malletier* did not consider is that, though it found the pre-existing law remained the same, the Second Circuit's original *interpretation* of that law may have been incorrect. The original interpretation in the Ninth Circuit, for example, appears to have

evolved from a plain judicial error in the mid-1990's misreading standards of adjoining sections.[6]

### C. The Ninth Circuit Requires An Opportunity to Examine the Clarifying Effect of the Statute

Petitioner had argued (as Respondents now do, Opp. 17) that the 1999 amendment clarified the statute. P-App. 4a ("M2 Software argues that the 1999 amendments to the Lanham Act "*make clear*" that there is no willfulness requirement") (emphasis added). The Ninth Circuit, like *Malletier*, did not consider this clarifying effect:

> Whatever the effects of the 1999 amendments may be, they do not apply to this suit, which was filed in October 1998. Even on the shaky assumption that the 1999 amendments did *expand* the remedies available for violations of § 1114 by negating the willfulness requirement, these *expansions* would not be retroactive.

P-App. at 4a-5a (emph. added). By addressing whether it could consider a *change* in law without considering the potential of a clarification, the Ninth Circuit committed the

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[6] "In citing to [*Lindy Pen*] * * * the Ninth Circuit started in 1995 to offend its own precedents * * * by misreading the standards set for trademark infringement actions under § 1114(1)(a), which do not make willful infringement a prerequisite * * *." Conway-Jones, D. *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 898 (2002).

same error of *Malletier*, now effectively overruled by *Cartier*. [1]

The Ninth Circuit instead posed what it characterized as a "shaky" assumption that the law had changed, finding retroactivity concerns. P-App. 4a-5a. That "assumption" is either true or false. If false, as the "shaky" qualifier suggests, with no new law there can be no retroactivity concerns. The Ninth Circuit should be allowed to consider whether the statute, as amended, clarifies pre-existing law.

The Ninth Circuit "[has] long recognized that clarifying legislation is not subject to any presumption against retroactivity and is applied to all cases pending as of the date of its enactment[.]" *ABKCO Music, Inc. v. LaVere*, 217 F.3d 684, 691 (9th Cir. 2000). While a new inference may supersede the *interpretation* of a Circuit, it does not supersede the pre-existing *law* (that here, other Circuits *already* interpreted not to require willfulness). P-Cert. 13. By failing to examine the current statute for its clarifying effect, the Ninth Circuit failed to "apply the law in effect at the time it renders its decision." *Bradley v. Richmond School Bd.*, 416 U.S. 696,

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[1] The Ninth Circuit thus accepted Respondents' "change of law" answer to the "clarification" question, detouring into the logic error of *ignoratio elenchi*. *See U.S. v. Jannotti*, 673 F.2d 578, 622 (3d Cir. 1982) (Aldisert, J., dissenting) ("[i]nstead of proving point A * * *, argument proves unrelated point B * * *").

714 (1974).[8] This failure extended even to prospective application. P-Rep. 7-8.

The Ninth Circuit must be given the same opportunity as *Cartier* and the Ninth Circuit's peer Courts of Appeal to consider the clarifying effect of the current statute. Even if the Ninth Circuit finds that retroactivity concerns would prevent application, it must at minimum be allowed to consider the statute for any clarifying effects. This Court should grant rehearing so that it may invoke GVR to grant, vacate, and remand to the Ninth Circuit for consideration of 15 U.S.C. § 1117(a), as amended.

## II. A GVR WILL ALLOW THE NINTH CIRCUIT TO CONSIDER THE CURRENT STATUTE, 15 U.S.C. § 1117(a), AS AMENDED

The GVR mechanism allows this Court to grant certiorari, vacate the decision below, and remand to a Court of Appeals for consideration of a recent legal development it did not consider. The procedural option "conserves the scarce resources of [the] Court" while promoting effective judicial resolution. *Lawrence v. Chater*, 516 U.S. 163, 167 (1996). GVR is appropriate where there have been "intervening developments, or recent developments [the Court has] reason to believe the court below did not

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[8] In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000), this Court referenced other sections of the 1999 amendment for a case "filed years before the Amendment was enacted." *Thomas & Betts Corp. v. Panduit Corp.* 108 F.Supp.2d 976, 991 (N.D.Ill. 2000). Two of the Courts of Appeal that have addressed the issue also did so in cases filed before the 1999 amendment. *Infra*, n. 9, 10.

fully consider [that] reveal a reasonable probability that the decision below rests on a premise that the lower court would reject if given the opportunity for further consideration." *Lawrence*, 516 U.S. at 167 (emphasis added). This Court has GVR'd in light of "new federal statutes," *Id.*, citing, *e.g.*, *Sioux Tribe of Indians v. United States*, 329 U.S. 685 (1946), in light of "administrative reinterpretations of federal statutes," 516 U.S. at 167, citing, *e.g.*, *Schmidt v. Espy*, 513 U.S. 801 (1994), and in light of "new state statutes." 516 U.S. at 167, citing, *e.g.*, *Louisiana v. Hays*, 512 U.S. 1230 (1994). The Lanham Act, as amended, has a sufficiently substantial impact on the national issue to warrant a remand for consideration.

GVR is proper where the previously-enacted statute not examined is central to the case. *See Youngblood v. West Virginia,* 126 S.Ct. 2188 (2006) (GVR where dissent noted *Brady* violation, but majority did not examine). While most GVR decisions arise from an intervening decision or statute, the underlying authority giving rise to the GVR procedure, 28 U.S.C. § 2106, does not impose a temporal limitation on an applicable statute deserving consideration. *Id.* (Court "may remand the cause * * * or require such further proceedings to be had as may be just under the circumstances.") The particular layout of this case calls for GVR here:

First, the practical application of the 1999 amendment is a recent development. Only one Court of Appeals, the Fifth Circuit, had considered the amendment when opening briefs were prepared for the Ninth Circuit, and the

Fifth Circuit only reaffirmed its prior interpretation.[9] Since that time, the Third and Fourth Circuits have weighed in, considering the amendment as a clarification of pre-existing law to adopt new intra-circuit rules rejecting a willfulness requirement.[10]

Second, the issue presented is recurring and the subject of a long-standing Circuit split. P-Cert. 12-20. Despite the relative rarity of trademark cases proceeding through an entire appeal, including the present case there have been three petitions for certiorari from the Ninth Circuit since 2005 on the issue of whether willful trademark infringement is necessary for monetary relief.[11] The GVR procedure is designed in part to aid the Court by "procuring the benefit of the lower court's insight before we rule on the merits..." *Lawrence*, 516 U.S. at 167. Similarly, this Court can benefit from the Ninth

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[9] *Quick Technologies v. Sage Group*, 313 F. 3d 338, 348-49 (5th Cir. 2002) (lawsuits filed May 22, 1998 and April 22 1999, rejecting *per se* willfulness "[i]n accordance with our previous decisions, and in light of the plain language of § 1117(a)").

[10] *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. Feb. 22, 2005) involved an action first instituted April 1999 [*Id.* at 172], decided (but not available on databases) two days prior to the appellant's brief. *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162 (4th Cir. Nov. 30, 2006) was not yet decided when the Ninth Circuit heard oral argument on October 16, 2006.

[11] *Contessa Food Products Inc. v. Lockpur Fish Processing Co. Ltd.*, 123 Fed. Appx. 747 (9th Cir. 2005), cert. denied, 126 S. Ct. 472 (2005); *Blau v. YMI Jeanswear, Inc.*, 129 Fed. Appx. 385 (9th Cir. 2005), cert. denied, 126 S. Ct. 660 (2005).

Circuit's insight on the issue before it rules on the merits.

Third, to the extent that Congress clarified pre-existing law, the GVR procedure "conserves the scarce resources of this Court" while effectively allowing the current law to apply as broadly as possible to pending cases. *Lawrence*, 516 at 167, citing *Griffith v. Kentucky*, 479 U.S. 314, 323 (1987) ("[W]e fulfill our judicial responsibility by instructing the lower courts to apply the new rule retroactively to cases not yet final").

Finally, Respondents have changed their position, and now concede that courts now find the Lanham Act does ***not*** intend a *per se* willfulness requirement for monetary relief – the very premise of dismissal of this case below. *See e.g., Cartier*, 512 F.Supp.2d at 172. *See* Opp. 17, 18, 19 n.6. P-App. 3a. Thus, there is a "reasonable probability that the decision below rests on a premise that the lower court would reject if given the opportunity for further consideration." *Lawrence*, 516 U.S. at 166.

A GVR will aid in the resolution of a long-standing Circuit split. It allows the Court to ask the Ninth Circuit, without the finding of any error, to consider the current statute to determine what, if any, clarifying effects are presented. In the event the Ninth Circuit adheres to prior precedent after completing such examination, the Court will have before it a more fully defined issue should that issue be presented for certiorari.

## CONCLUSION

This Court should grant rehearing to invoke GVR to grant, vacate, and remand to the Ninth Circuit for consideration of the current statute, 15 U.S.C. § 1117(a), as amended, and all intervening decisions.

Respectfully submitted,

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December 2007

## CERTIFICATION OF COUNSEL (RULE 44)

I certify that the Petition for Rehearing of a Denial of Certiorari is restricted to the grounds specified in Supreme Court Rule 44.2 and is presented in good faith and not for delay.

December 2007

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Mark L. Pettinari
*Counsel for Petitioner*

# APPENDIX

# UNITED STATES COURT OF APPEALS
# FOR THE NINTH CIRCUIT

No. 06-55115
D.C. No. CV-98-08734-AHM

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K AND N ENGINEERING, INC., a California corporation,
*Plaintiff – Appellee,*

v.

SARAH BULAT, individually, d/b/a Incline Design, a/k/a Incdesign; et al,
*Defendants - Appellants*

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Appeal from the United States District Court
for the Central District of California
A. Howard Matz, District Judge, Presiding

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ARGUED AND SUBMITTED SEPTEMBER 24, 2007, PASADENA, CALIFORNIA
FILED DECEMBER 18, 2007

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MEMORANDUM*

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Before: T.G. NELSON, IKUTA, and N.R. SMITH, Circuit Judges.

* This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.

The district court granted K&N's motion for summary judgment on trademark infringement under 15 U.S.C §§ 1114(1) and 1125(a), trademark counterfeiting under § 1114(1)(a), trademark dilution under § 1125(c), and related state law statutory and common law causes of action. Pursuant to 15 U.S.C. §§ 1116 and 1117(c), the district court awarded $20,000 in statutory damages and injunctive relief.[1] We affirm.

Based on our de novo review, the evidence is clear that Bulat and Wandel's intentional use of the K&N mark was likely to cause confusion among consumers and post-purchase observers of the counterfeit goods. 15 U.S.C. § I 114(1)(a); *AuTomotive Gold v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1075-76 (9th Cir. 2006). The evidence introduced by Bulat and Wandel that their decals differed in size and color from K&N's decals, and that one consumer was not confused as to the source of the decals, is insufficient to raise a material issue of disputed fact regarding likelihood of confusion. Because the K&N mark does not serve an aesthetic purpose wholly independent from its function of identifying K&N, Bulat and Wandel's aesthetic functionality defense fails. *AuTomotive Gold*, 457 F.3d at 1073. Bulat and Wandel's nominative fair use defense fails because they used more of K&N's mark than was necessary to describe their own product or service. *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 & n.7 (9th Cir. 1992). K&N's trademark rights do not depend on whether or not it has copyright protection for the same marks. *Polar Bear Prods. v. Timex Corp.*, 384 F.3d 700, 721 (9th Cir. 2004). Therefore,

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[1]In a published opinion filed this date, we reverse the district court's award of attorney's fees under 15 U.S.C. § 1117(b).

we affirm the district court's grant of summary judgment.

In light of the district court's broad discretion to award statutory damages under 15 U.S.C. § 1117(c)(1), the district court did not abuse its discretion in awarding statutory damages of $20,000. *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 712 (9th Cir. 1999). Nor did the district court abuse its discretion in considering a wide range of factors, including the defendants' financial situation, their naivete, their failure to resolve the trademark violations through settlement, and the extent of the infringement, in setting the statutory damage award. Because Bulat and Wandel advertised and sold decals with K&N marks (rather than advertising and selling printing services), they were not engaged solely in the business of printing the mark or violating matter for others, and thus were neither innocent infringers nor innocent violators capable of raising the innocent printer defense under 15 U.S.C. § 1114(2)(A).

Affirmed.